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MEMORANDUM TO: Chief, Economic Research Area  
FROM: Chief, Materials Division  
SUBJECT: New Soviet Proposals for Long-Term Exchanges  
REF: Your memorandum dated 13 September 1957

The attached comments are submitted as requested in the referenced memorandum. Net advantage on the proposed exchanges is taken to mean

25X1X1 [REDACTED] gain to the US versus [REDACTED] technological gain 25X1X1

to the USSR. In some specific instances a technological gain may accrue to the US; if so, it has been mentioned separately. Your attention is invited to [REDACTED] which suggests that the US ask for an opportunity to acquire detailed information on the operation of the Soviet economy as a whole, and not return industry visits.

25X1A2g

25X1A9a  
[REDACTED]

Attachment:  
As stated  
above

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COMMENTS ON SOVIET PROPOSALS FOR LONG TERM EXCHANGES

MINING AND METALLURGY

- 25X1X1 1. An assessment of the [REDACTED] as defined, in categories as broad as mining and metallurgy cannot be made on an over-all basis. A net gain might accrue to the US under some circumstances and in some aspects of these broad fields but the advantage would accrue to the Soviets in others. Assessments of [REDACTED] have been made in the past only in more restricted fields and then only on the basis of specific itineraries.
- 25X1X1 2. A condition precedent to a [REDACTED] on the part of the US would be the full cooperation of the affected US industries. In no case is it probable that cooperation for a long term exchange will be offered by US industries in these fields until the short exchanges previously proposed by the Soviets have taken place, and unless the observations then made suggest that a more extensive survey would be rewarding.
- 25X1X1 3. At present the short term steel exchange is in abeyance because of the Soviet failure to approve the suggested itinerary in the USSR and the short term mining and nonferrous metallurgical exchanges are without US industry sponsorship. The latter situation is largely due to skepticism on the part of the US nonferrous industry that the USSR possesses installations comparable to those the Soviets wish to see in their operations in this field. It is believed that if the Soviets were to provide evidence of the existence of such installations, including appropriate details of mining and metallurgical practices and output, the US nonferrous industry would be willing to participate in a short term exchange in these fields, after which exchange of longer duration could be considered.

PETROLEUM

1. Knowledge of US petroleum technology has been almost completely available to the USSR through open technical publications and patents. Certain confidential company information, mostly in the processing field, could be adequately safeguarded from the USSR delegation, as it is now from competitors. Therefore, the gain to the USSR delegation of technical knowledge would be small, and would not be greatly enhanced by a three to six-month tour compared to a one-month tour. The actual application of recent advances in petroleum technology would undoubtedly be of great interest to the USSR delegation. The tour should enable them to apply such new methods and techniques more quickly and successfully in the USSR petroleum industry.

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2. It is believed that a USSR delegation touring the US petroleum industry would be assigned the task of discovering the reason for the high over-all productivity in the US industry compared with the USSR industry. A good example is in oil-well drilling. If a team of experienced USSR oil-well drillers or drilling foremen who were well trained technically and in economics, spent three to six months visiting contract drilling rigs in the US they would discover the basic underlying reason for the high productivity of the US drilling industry compared to that of the USSR. The reason is, of course, competition and the incentives inherent in competitive capitalism. These competitive techniques and incentives, if applied to the USSR industry (of course under the guise of Communism) would quickly increase USSR productivity and over-all effectiveness.

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3. CIA has major gaps [redacted] in almost all sectors and economic aspects of the Soviet petroleum industry. A US petroleum delegation visiting the Soviet Union for a period of three to six months, by concentrating at both the Ministerial or equivalent level, and by intensive surveys of Soviet field operations, could magnify the US [redacted] compared to a visit of only one month. The areas of [redacted] in which substantial gains might be expected as a result of a three to six-month visit are as follows:

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a. Proved reserves, consumption and storage on which existing

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[redacted]

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b. Refining capacity and output on which existing [redacted]

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[redacted] The extent of catalytic refining is unknown and especially critical.

c. Production of petroleum, with respect to crude oil and natural gas, is good assuming official statistics are valid. Production of natural gas liquids is unknown.

d. Cost and price structures on petroleum products, methods used in formulating five-year plans; and other purely economic questions relating to the USSR petroleum industry comprise a large area of [redacted] effort in which some estimates have been made but very little direct data are available.

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4. The [redacted] has advised the CIA that qualified personnel can be made available under sponsorship of the [redacted] to staff a US petroleum delegation to tour the USSR for a period of one month. Such personnel would be oil company officials loaned for this purpose. It is not believed that the foregoing arrangement would be feasible for a period of 3 to 6 months. To staff such a delegation would require hiring consultants or other available personnel, and the question of financing such an undertaking would be pertinent.

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5. It appears that a 3 to 6 month tour in each country for an exchange of US-USSR petroleum delegations would result in some net gain to the US but on a lesser margin than on the original proposal for a one-month tour. It is suggested that the one-month tour be carried out as planned. If, as a result of that tour, it appears desirable to exchange delegations in selected phases of the petroleum industry for a longer period, such exchanges can then be arranged.

#### COAL AND ELECTRIC POWER

1. With respect to coal mining as such there would be relatively little advantage either to the USSR or the US because of the wide difference of natural conditions and the open literature now available on both sides. The net gain, if any, would appear to favor the USSR which is struggling with the problems of mechanization which we have already solved under admittedly easier circumstances. In the more specialized field of coal mining machinery and even more in the metallurgical know-how necessary to such machines of high capacity the advantage would appear to be very heavily in favor of the USSR. The offsetting gain to the US would have to come in the area of fuel distribution and utilization where our present information is weakest. Information on the preparation of coal, disposal or use of the high ash content refuse from preparation plants, the efficiency of handling and burning of the lower grades of brown coal, lignite and peat, and the relation of these facts to the location of other industry could be of substantial intelligence value.

2. The electric power field, properly exploited, represents a potential for a very substantial net gain to the US.

include consumption by region, industry, and systems and the accounting methods used in costing and pricing power to various industries. Similar information is available in US open sources. An exchange should be predicated on the advance exchange of information, including maps of the transmission system showing all lines over 50 KV with flow diagrams for the 100, 200, and 400 KV systems, and information on the dispatching centers with information on their methods of operation.

3. We have a strong feeling that the past selection of exchange personnel in both the fuel and power areas has not yielded the US the maximum possible advantage. Selection of US representatives for prestige in private industry should, we feel, be tempered with enough working stiff to per-

#### CHEMICALS

1. Promotion of a long term exchange of chemical delegations with the USSR in principle should be encouraged since a great deal of useful intelligence on the Soviet Chemical Industry could conceivably be secured by this method. For example, there could be a gain to the US from an exchange in the fields of nitrogen compounds, fluorine compounds, plastics, the electrothermal and electrolytic chemical industries and perhaps others. To insure that the net gain would be in favor of the US, however, in some cases (notably plastics) certain technology would have to

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be safeguarded. In addition, the question of net gain to the US would depend in almost all cases on what installations the US delegates would be permitted to see in the USSR. Exchanges in some areas of the chemical industry such as petrochemicals and synthetic fibers would probably result in a net gain to the USSR. It is felt that by considering each proposed chemical exchange separately and by employing adequate safeguards of technology wherever necessary, a [REDACTED] gain could accrue to the US from exchanges of chemical delegations within the USSR.

2. There might be some difficulty in arranging for the US delegates to absent themselves from their normal duties for period of up to six months. Since in many cases the US would stand to gain little in the way of technology, US companies on the whole probably would have to be persuaded to allow their employees to remain in the USSR for even 60 to 90 days.